

---

STATE OF COLORADO  
HIGHER EDUCATION  
ACCOUNTING STANDARDS

Issued by the State Controller's Office  
Original Issue 12/26/75  
Last Revised 03/09/01  
Revision Effective 07/01/01

Standard # 1  
Page: 1 of 2

Approved: Arthur J. Bamhart Date: 3/9/01

---

**TITLE: BASIC ACCOUNTING & REPORTING STRUCTURE**

---

The purpose of the State of Colorado Higher Education Accounting Standards is to provide guidance in areas:

- ♦ Which are not addressed by the authoritative accounting and reporting literature;
- ♦ Where the literature provides alternate methods of accounting and reporting; and/or
- ♦ Where accounting practices for Colorado institutions of higher education will vary from that recommended in NACUBO, *Financial Accounting and Reporting Manual for Higher Education (FARM)*.

These Standards are intended to prescribe external financial reporting practices and are not intended to provide guidance on internal accounting policies. Institutions should refer to the State of Colorado Fiscal Rules and the accounting manuals prepared or approved by the State Controller's Office for appropriate internal accounting practices.

Under Statement No. 34 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, Colorado institutions of higher education prepare external financial statements following the guidance for special-purpose governments engaged only in business-type activities (BTA model). See Colorado Higher Education Accounting Standard #17, *Financial Statement Presentation*, for the required financial statements and prescribed format to be followed.

Under the BTA model, colleges and universities follow the financial accounting and reporting guidelines for enterprise funds.<sup>1</sup> Those guidelines include GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, which requires enterprise funds to apply all FASB Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.<sup>2</sup> The State of Colorado has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, as allowed under paragraph 7 of GASB Statement No. 20. Therefore, Colorado colleges and universities do not apply those Statements and Interpretations.

---

<sup>1</sup> *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Governmental Accounting Standards Board Statement No. 34, Norwalk, CT, June, 1999, paragraph 138, pg. 49.

<sup>2</sup> Ibid, paragraph 93, pg. 33.

---

STATE OF COLORADO	Issued by the State Controller's Office	Standard # <u>1</u>
	Original Issue	<u>12/26/75</u>
HIGHER EDUCATION	Last Revised	<u>03/09/01</u>
ACCOUNTING STANDARDS	Revision Effective	<u>07/01/01</u>

---

## **TITLE: BASIC ACCOUNTING & REPORTING STRUCTURE**

---

The underlying measurement focus and basis of accounting used to prepare external financial statements are the:

- ♦ Economic resources measurement focus; and
- ♦ Accrual basis of accounting.

Although, the economic resource measurement focus and accrual basis of accounting are used to prepare external financial reports, Colorado institutions must also maintain management accounting records that account for transactions in a manner that ensures compliance with statutory and regulatory guidelines. To facilitate this, institutions continue to maintain management accounting records by funds. The number and nature of these funds will vary depending on the institution's activities, laws and regulations, and policies and practices approved by the State Controller. Institutions should refer to the State of Colorado Fiscal Rules; the Colorado Financial Reporting System (COFRS), Chart of Accounts, College and University Funds; the State Controller's Office Fiscal Procedures Manual; and the Higher Education TABOR Guidelines.

In addition, certain transactions, such as encumbrances, student financial aid expenditures, capital asset acquisitions, and transfers and loans between funds will continue to be recorded for management purposes in a manner that differs from external financial reporting guidelines. To the extent that these transactions do not meet current external financial reporting requirements, the Standards which follow prescribe adjustments that are required to convert the institution's management accounting to the appropriate measurement focus and basis of accounting for external financial reporting.

For example, Colorado institutions are required by State of Colorado Fiscal Rules to record encumbrances – commitments related to unperformed (executory) contracts for goods or services.<sup>3</sup> Encumbrances outstanding at year end do not constitute expenditures or liabilities.<sup>4</sup> As a result, institutions do not report encumbrances in their financial statements, although disclosure in the notes to the financial statements should be made where such commitments are material in amount.<sup>5</sup>

---

<sup>3</sup> *Governmental Accounting and Financial Reporting Principles*, National Council on Governmental Accounting Statement 1, March, 1979, paragraph 91.

<sup>4</sup> Ibid, paragraph 91, (2).

<sup>5</sup> *Notes to the Financial Statements Disclosure*, National Council on Governmental Accounting Interpretation 6, May, 1982, paragraph 4.c.